STATE OF MINNESOTA

Office of the State Auditor

Rebecca Otto
State Auditor

MINNESOTA COUNTIES
INFORMATION SYSTEMS
GRAND RAPIDS, MINNESOTA

FOR THE TWO YEARS ENDED DECEMBER 31, 2006

Description of the Office of the State Auditor

The mission of the State Auditor's Office is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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MINNESOTA COUNTIES INFORMATION SYSTEMS GRAND RAPIDS, MINNESOTA

For the Two Years Ended December 31, 2006

Audit Practice Division
Office of the State Auditor
State of Minnesota

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MINNESOTA COUNTIES INFORMATION SYSTEMS
GRAND RAPIDS, MINNESOTA

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MINNESOTA COUNTIES INFORMATION SYSTEMS
GRAND RAPIDS, MINNESOTA

ORGANIZATION
DECEMBER 31, 2006

Name	Representing
Board Member	
Kirk Peysar	Aitkin County
Paul G. Gassert	Carlton County
Sharon Anderson	Cass County
Jon Clauson	Chippewa County
Danna Asche	Cook County
Deborah Erickson	Crow Wing County
Paul Wiltgen	Dodge County
Candy Carsella-Kee	Itasca County
Jaci Nagle	Koochiching County
Cindy Heinrich	Lac qui Parle County
Steven R. McMahon	Lake County
Donald Dicklich	St. Louis County
Jerry Kritzeck	Sherburne County
Executive Director	
Dana Flinck	

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Financial Section

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Minnesota Counties Information Systems

We have audited the accompanying basic financial statements of the Minnesota Counties Information Systems (MCIS) as of December 31, 2006, and for the two years then ended, as listed in the table of contents. These financial statements are the responsibility of the MCIS' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the MCIS as of December 31, 2006, and the results of its operations and its cash flows for the two years then ended in conformity with accounting principles generally accepted in the United States of America.

The MCIS has not presented a Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

/s/Rebecca Otto	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

January 4, 2008

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BASIC FINANCIAL STATEMENTS

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MINNESOTA COUNTIES INFORMATION SYSTEMS
GRAND RAPIDS, MINNESOTA

EXHIBIT A

STATEMENT OF NET ASSETS
DECEMBER 31, 2006

Assets		
Current assets		
Cash and cash equivalents	$	714,357
Petty cash and change funds		400
Due from other governments		30,466
Total current assets	**$**	**745,223**
Noncurrent assets		
Capital assets	$	207,729
Less: allowance for depreciation		(167,622)
Net capital assets	**$**	**40,107**
Total Assets	**$**	**785,330**
Liabilities		
Current liabilities		
Accounts payable	$	16,335
Salaries payable		30,501
Severance payable		46,828
Due to other governments		15,109
Total current liabilities	**$**	**108,773**
Long-term liabilities		
Severance payable		94,041
Total Liabilities	**$**	**202,814**
Net Assets		
Invested in capital assets	$	40,107
Unrestricted		542,409
Total Net Assets	**$**	**582,516**

The notes to the financial statements are an integral part of this statement.

MINNESOTA COUNTIES INFORMATION SYSTEMS
GRAND RAPIDS, MINNESOTA

EXHIBIT B

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE TWO YEARS ENDED DECEMBER 31, 2006

Operating Revenues		
Charges for services		
Aitkin County	$	162,615
Carlton County		181,689
Cass County		199,552
Chippewa County		149,767
Cook County		147,902
Crow Wing County		202,596
Dodge County		25,787
Itasca County		207,161
Koochiching County		157,029
Lac qui Parle County		136,018
Lake County		156,573
St. Louis County		273,454
Sherburne County		158,940
Total charges for services	**$**	**2,159,083**
Other revenues		
Miscellaneous operating	$	3,050
Miscellaneous reimbursement		23,401
Fidlar reimbursement		173,006
Total other revenues	**$**	**199,457**
Total Operating Revenues	**$**	**2,358,540**
Operating Expenses		
Payroll	$	1,370,299
Employee benefits and payroll taxes		400,322
Professional services		59,194
Contracted services		176,697
Meetings and expense		783
Meals and lodging		19,852
Telephone		26,853
Utilities		11,740
Supplies		9,058
Mileage		17,703
Staff training		15,684
Advertising		1,075
Insurance		12,075
Postage		842
Furniture and equipment		39,540
Depreciation		31,271
Miscellaneous		2,155
Total Operating Expenses	**$**	**2,195,143**
Net Operating Income (Loss)	**$**	**163,397**

The notes to the financial statements are an integral part of this statement.

MINNESOTA COUNTIES INFORMATION SYSTEMS
GRAND RAPIDS, MINNESOTA

EXHIBIT B
(Continued)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE TWO YEARS ENDED DECEMBER 31, 2006

Nonoperating Revenues		
Local grant	$	4,648
Interest earnings		24,081
Total Nonoperating Revenues	**$**	**28,729**
Change in Net Assets	**$**	**192,126**
Net Assets - January 1, 2005		**390,390**
Net Assets - December 31, 2006	**$**	**582,516**

The notes to the financial statements are an integral part of this statement.

MINNESOTA COUNTIES INFORMATION SYSTEMS
GRAND RAPIDS, MINNESOTA

EXHIBIT C

STATEMENT OF CASH FLOWS
FOR THE TWO YEARS ENDED DECEMBER 31, 2006

Cash Flows From Operating Activities		
Receipts from customers and users	$	2,358,040
Payments to suppliers		(449,089)
Payments to employees		(1,752,141)
Net cash provided by (used for) operating activities	**$**	**156,810**
Cash Flows From Noncapital Financing Activities		
State-shared revenue - Public Employees Retirement Association aid		4,648
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets		(6,069)
Cash Flows From Investing Activities		
Investment earnings received		24,081
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	**179,470**
Cash and Cash Equivalents at January 1, 2005		**534,887**
Cash and Cash Equivalents at December 31, 2006	**$**	**714,357**
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
Operating income (loss)	**$**	**163,397**
Adjustments to reconcile net operating income (loss) to net cash provided by (used for) operating activities		
Depreciation expense		31,271
(Increase) decrease in due from other governments		(500)
Increase (decrease) in accounts payable		(10,059)
Increase (decrease) in salaries payable		4,689
Increase (decrease) in severance payable		13,791
Increase (decrease) in due to other governments		(45,779)
Total adjustments	**$**	**(6,587)**
Net Cash Provided by (Used for) Operating Activities	**$**	**156,810**

The notes to the financial statements are an integral part of this statement.

1. <u>Summary of Significant Accounting Policies</u>

The accounting policies of the Minnesota Counties Information Systems (MCIS) conform to generally accepted accounting principles.

A. <u>Financial Reporting Entity</u>

The MCIS is a joint powers governmental organization established in 1975 pursuant to Minn. Stat. § 471.59. Its purpose is to develop and implement computer-based information systems for use by member counties. Members of the MCIS are Aitkin, Carlton, Cass, Chippewa, Cook, Crow Wing, Dodge, Itasca, Koochiching, Lac qui Parle, Lake, St. Louis, and Sherburne Counties.

The MCIS is organized in such a manner that control of the organization remains with the members and the users. This type of organizational structure results in common goals for the MCIS and the member counties because the MCIS is directly accountable to the counties.

The Board of Directors consists of one director and one or two alternate directors from each governmental unit, with each unit having one vote. Officers include the president, vice president, and the secretary/treasurer.

Cass County reports the fiscal transactions of the MCIS in an agency fund on its annual financial statements.

B. <u>Basis of Presentation</u>

The accounts of the MCIS are presented as an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

1. Summary of Significant Accounting Policies

B. Basis of Presentation (Continued)

Enterprise funds distinguish operating revenues from nonoperating items. Operating revenues generally result from providing and delivering services in connection with a principal ongoing activity. All revenues not meeting this definition are reported as nonoperating revenues. The principal operating revenues of the MCIS are charges for services to counties relating to their computer-based information systems.

C. Basis of Accounting

The MCIS uses the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Pursuant to Governmental Accounting Standards Board (GASB) Statement 20, the MCIS has elected not to apply accounting standards issued after November 30, 1989, by the Financial Accounting Standards Board.

D. Budgetary Data

The MCIS adopts estimated revenue and expense budgets on a basis consistent with generally accepted accounting principles. The budgets may be amended or modified at any time by the Board of Directors.

E. Assets and Liabilities

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and investments held by the Cass County Treasurer for the MCIS as part of its pooled cash and investments account. The Cass County pooled investment account operates like a demand account in that the MCIS is free to deposit and withdraw funds at any time without penalty. Investments are stated at fair value.

Capital Assets

Capital assets are stated at cost. The MCIS does not capitalize assets with a cost of less than $5,000.

1. Summary of Significant Accounting Policies

E. Assets and Liabilities (Continued)

Depreciation

Depreciation on capital assets is determined using the straight-line method. The estimated useful lives of the assets are:

Classification	Years
Buildings and improvements	25
Furniture and equipment	3 - 5

Due From Other Governments

Due from other governments consists of amounts due from member counties for the current year and adjusted administration charges.

Vacation and Sick Leave

Under the MCIS personnel policy, employees are granted vacation in varying amounts based on their length of service. Vacation leave earned varies from 12 to 24 days per year. Sick leave earned is 12 days per year.

Unused vacation and vested sick leave are paid to employees upon termination. Unvested sick leave, approximately $92,634 at December 31, 2006, is available to employees in the event of illness-related absences, and is not paid to them at termination.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Detailed Notes

A. Assets

Deposits and Investments

The MCIS' bylaws authorize Cass County (as fiscal agent) under Minn. Stat. §§ 118A.02 and 118A.04 to deposit the MCIS' cash and to invest in certificates of deposit in financial institutions designated by the Cass County Board of Commissioners. Minnesota statutes require that all deposits be covered by insurance, surety bond, or collateral.

Minn. Stat. §§ 118A.04 and 118A.05 generally authorize the types of securities available to a county for investment.

Additional disclosures as required by GASB Statement No. 40, *Deposits and Investment Risk Disclosures,* are disclosed in the Cass County financial report.

B. Due From Other Governments

The following amounts are due from member counties for the current year and adjusted administration charges at December 31, 2006.

Atikin County	$ 3,265
Cass County	32
Chippewa County	862
Cook County	969
Crow Wing	5,599
Koochiching County	1,023
Lac qui Parle County	2,376
Lake County	1,083
St. Louis County	7,474
Sherburne County	7,783
Total	$ 30,466

2. Detailed Notes (Continued)

C. Capital Assets

A summary of the changes in capital assets for the two-year period ended December 31, 2006, follows:

	Balance January 1, 2005	Increase	Decrease	Balance December 31, 2006
Capital assets depreciated				
Buildings and improvements	$ 106,373	$ -	$ -	$ 106,373
Furniture and equipment	95,287	6,069	-	101,356
Total capital assets depreciated	$ 201,660	$ 6,069	$ -	$ 207,729
Less: accumulated depreciation for				
Buildings and improvements	$ 65,597	$ 8,510	$ -	$ 74,107
Furniture and equipment	70,754	22,761	-	93,515
Total accumulated depreciation	$ 136,351	$ 31,271	$ -	$ 167,622
Capital Assets, Net	$ 65,309	$ (25,202)	$ -	$ 40,107

D. Budgets

The MCIS annually adopts estimated revenue and expense budgets. A summary of the operation budget compared to actual amounts for the two years ended December 31, 2006, is:

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Charges for services	$ 2,136,286	$ 2,159,083	$ 22,797
Miscellaneous	-	199,457	199,457
Total Operating Revenues	$ 2,136,286	$ 2,358,540	$ 222,254
Operating Expenses			
Payroll and payroll taxes	$ 1,840,176	$ 1,770,621	$ 69,555
Other services and charges	493,025	369,501	123,524
Supplies	9,058	23,750	(14,692)
Depreciation	-	31,271	(31,271)
Total Operating Expenses	$ 2,342,259	$ 2,195,143	$ 147,116
Net Operating Income (Loss)	$ (205,973)	$ 163,397	$ 369,370

2. Detailed Notes

D. Budgets (Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
Nonoperating Revenues (Expenses)			
State-shared revenue - Public Employees Retirement Association (PERA) aid	$ -	$ 4,648	$ 4,648
Interest on investments	-	24,081	24,081
Total Nonoperating Revenues (Expenses)	$ -	$ 28,729	$ 28,729
Change in Net Assets	$ (205,973)	$ 192,126	$ 398,099
Net Assets - January 1	390,390	390,390	-
Net Assets - December 31	$ 184,417	$ 582,516	$ 398,099

E. Liabilities

Severance Payable

In addition to the benefits described in Note 4, the MCIS provides severance benefits to eligible employees. Employees hired prior to January 1, 1987, are entitled to a lump sum severance payout upon retirement in accordance with the personnel policy. As of December 31, 2006, there are four employees entitled to this payout. The long-term severance liability at December 31, 2006, is $94,041, which is an increase of $8,321 for the two years ended December 31, 2006.

3. Summary of Significant Contingencies and Other Items

Risk Management

The MCIS is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee dental and life; and natural disasters. The MCIS participates in Cass County’s health, dental, and life insurance. For all other risk, the MCIS purchases commercial insurance. There were no significant reductions in insurance coverage from the previous year. There were no settlements in excess of insurance for any of the past three fiscal years.

4. Pension Plans

A. Plan Description

All full-time and certain part-time employees of MCIS are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA administers the Public Employees Retirement Fund, which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs. 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan.

The PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Using Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service.

For Public Employees Retirement Fund members whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated public service.

4. Pension Plans

A. Plan Description (Continued)

The PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The MCIS makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 5.50 percent, respectively, of their annual covered salary in 2006. Contribution rates in the Coordinated Plan increased in 2007 to 5.75 percent. The MCIS is required to contribute the following percentages of annual covered payroll:

In 2006	
Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	6.00
In 2007	
Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	6.25

The MCIS' contributions for the years ending December 31, 2006, 2005, and 2004, were $41,384, $36,036, and $36,455, respectively, equal to the contractually required contributions for each year as set by state statute.

Management and Compliance Section

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SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE TWO YEARS ENDED DECEMBER 31, 2006

FINANCIAL STATEMENT AUDIT--INTERNAL CONTROLS

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-2 Internal Control/Segregation of Duties

The Minnesota Counties Information Systems (MCIS) Board is responsible for establishing and maintaining internal control. This responsibility includes the internal control over the various accounting cycles, the fair presentation of the financial statements and related notes, and the accuracy and completeness of all financial records and related information. Adequate segregation of duties is a key internal control in an organization's accounting system. The size of the MCIS and its staffing limits the internal control that the MCIS Board can design and implement into the organization. The MCIS Board should be aware that the segregation of duties is not adequate from an internal control point of view.

The MCIS Board is responsible for the accuracy and completeness of all financial records and related information. Also, the MCIS Board is responsible for controls over the period-end financial reporting process, including controls over procedures used to enter transaction totals into the general ledger; initiate, authorize, record, and process journal entries into the general ledger; and record recurring and nonrecurring adjustments to the financial statements.

The MCIS Board has requested that the Office of the State Auditor prepare the annual financial statements and related notes. This arrangement is not unusual for an organization the size of the MCIS. This decision was based on the availability of the MCIS' staff and the cost-benefit of using our expertise.

During our audit, we proposed an adjustment to convert the MCIS' financial records to the financial statements as reported. This adjustment was to report an additional payable on the software maintenance contract.

We recommend the MCIS be mindful that limited staffing causes inherent risks in safeguarding the MCIS' assets and the proper reporting of its financial activity. We recommend the MCIS continue to implement oversight procedures and monitor those procedures to determine if they are still effective internal controls.

Client's Response:

The MCIS Board is aware of accounting function procedures that MCIS staff and Cass County staff follow in their accounting of MCIS financial matters. MCIS will continue to emphasize the need for the management of the Board to segregate accounting functions whenever possible and to closely supervise those areas where proper segregation of duties cannot be achieved.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND MINNESOTA LEGAL COMPLIANCE

Board of Directors
Minnesota Counties Information Systems

We have audited the financial statements of the Minnesota Counties Information Systems (MCIS) as of and for the two years ended December 31, 2006, and have issued our report thereon dated January 4, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the MCIS' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the MCIS' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the MCIS' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the MCIS' ability to initiate, authorize, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the MCIS' financial statements that is more than inconsequential will not be prevented or detected by the MCIS' internal control over financial reporting. We considered the deficiency described in the accompanying Schedule of Findings and Recommendations as item 96-2 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the MCIS' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is not a material weakness.

Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories, except that we did not test for compliance in contracting and bidding, because the MCIS did not enter into any applicable contracts, and public indebtedness, because the MCIS does not have any bonded debt.

The results of our tests indicate that, for the items tested, the MCIS complied with the material terms and conditions of applicable legal provisions.

The MCIS' written response to the significant deficiency identified in our audit has not been subjected to any auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, and others within the MCIS and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

January 4, 2008